DEPARTMENT OF THE ARMY PODR 11-1-3
Pacific Ocean Division, Corps of Engineers
CEPOD-VE Fort Shafter, Hawaii 96858-5440

Regulation
No. 11-1-3 3 August 1998

Army Programs
VALUE ENGINEERING

1. PURPOSE. This regulation defines Value Engineering and sets policy, responsibilities and procedures for implementing the Pacific Ocean Division (POD) Value Engineering (VE) Program.

2. APPLICABILITY. This regulation applies to all elements of POD.

3. REFERENCES.

a. ER 5-1-11, Program and Project Management, 27 Feb 98

b. OMB Circular A-131 (Revised), Value Engineering, 21 May 93

c. Memorandum CEMRK-VE (5-4f), Subject: Value Engineering Support System (VESS), 13 Jan 93

d. Policy Letter, Subject: What Constitutes A Value Engineering Study, 10 Aug 91

e. Policy Letter, VE Quarterly Report, 8 May 91

f. Memorandum CEMP-ZV (5-4e), Subject: Interim Guidance for Cost Effectiveness Review/Value Engineering, 7 Sep 89

g. HQUSACE Supplement 1 to AR 5-4, Department of the Army Productivity Improvement Program, 25 Jul 80

h. EP 11-1-3, Value Engineering Officer's Operational Guide, 15 Jun 76

4. DEFINITION. Value Engineering is an organized effort by a person or a team using Value Engineering techniques to analyze the functions of systems, equipment, facilities, services and supplies for the purpose of achieving the essential function at the lowest life-cycle cost consistent with the required performance, reliability, quality, maintainability and safety.

5. POLICY. VE shall be actively applied in Civil Works and military funded activities and in the performance of work for others. The VE program will be given full and continuing support throughout POD. All employees will aggressively promote VE within their respective areas and will encourage contractors to participate in VE Program activities through the use of VE Incentive Clauses required by the Federal Acquisition Regulation.

This regulation supersedes PODR 11-1-3, 29 June 1984

6. ORGANIZATION.

a. The Division Commander appoints the Division Value Engineer (VEO) who will direct the overall VE program. The Value Engineer is a Special Staff Assistant to the Division Commander.

b. District Commanders will establish VE programs within their respective organizations. Each District Commander will appoint a Value Engineer (VEO) to direct the District VE program.

7. RESPONSIBILITIES.

a. Commanders. Commanders will establish a Value Engineering position. The Value Engineer will be a special staff assistant and will have ready and regular access to the Commander.

b. Division Value Engineer. Division VEO will maintain an active and productive program Division-wide conforming to the requirements of applicable directives.

c. District Value Engineer. District VEO will direct overall Value Engineering effort throughout the District. Duties of the VEO shall include the following:

(1) Establish and maintain an active and productive VE program conforming to the requirements of existing applicable regulations.

(2) Cooperate with all district elements to assure continuous effort in performance of VE in-house studies. Formal VE studies must be accomplished for all MCA projects with a construction cost of $2,000,000 or more.

(3) Promote active contractor participation by encouraging contractors to submit Value Engineering Change Proposals (VECPs) under the applicable clause of their contracts and expediting technical review and processing of the VECPs.

(4) Provide recommendations on VE goals and develop plan of action for fiscal year in conformance to HQUSACE directives and forward recommended goals to Division Value Engineer.

(5) Prepare and forward quarterly reports to Division VEO in format established by HQUSACE.

(6) Request VE study funds from HQUSACE on programs which are funded by HQUSACE. Request study funds from those programs not funded by HQUSACE directly, i.e., NAF, Air Force, Superfund, Defense Environmental Restoration Program (DERPS), etc.

(7) Serve as Chairman of the standing VE Committee. The VE Committee selects projects for potential VE studies, nominates individuals to serve on the VE study team. Coordinates and obtains the required approval action of the team's study.

(8) Expedite technical review and action on VECPs submitted by contractors through the field offices and provide feedback to the field offices upon completion of the review by the technical reviewers.

(9) Keep a record of all Value Engineering Proposals (VEPs) and VECPs for reporting purposes.

d. Chiefs of Organizational Elements.

(1) Provide continued motivation to personnel within their organizational elements to apply VE to functions, areas or end products for which their organizations are responsible.

(2) Provide prompt action to evaluate VEPs and VECPs so that they may be processed in the shortest time possible.

(3) Make personnel available to participate in VE studies.

e. Area, Resident and Project Engineers. Establish and maintain active VE programs; create and maintain an awareness of the importance of VE among both Government and contractor personnel. Encourage Government personnel to seek out high cost construction and supply items for study. Expedite the processing of all VECPs and forward them through normal contract modification channels with concurrent notifications to the VEO that VECPs are being submitted for processing.

f. Program and Project Managers. Include in the Project Management Plan a schedule and budget for a VE study when the project's estimated construction cost is $2 million or greater. Provide input on project schedule to the VEO so that proper coordination for a VE study can be made. The VE study is initiated upon approval of the concept design.

8. VALUE ENGINEERING STUDIES. VE studies can be accomplished through formal in-house action, an individual effort, using the services of OVEST (HQUSACE VALUE ENGINEERING STUDY TEAM) or contracting with architect/engineer firms. VE should be performed as early as practical. Formal VE studies must be accomplished for all MCA projects with a construction cost of $2 million or more. VE studies must be performed at the concept (35%) stage to get the maximum cost benefit.

a. Formal In-House Studies will be performed whenever deserving study items exist. Studies need not be restricted to the whole project but may be made on selected items for which the costs appear high for the value received. The study should be a team effort consisting of each discipline represented in the project. The team will have one of its members serving as a team leader. This team leader will be appointed by the VEO. The leader is responsible for gathering data, arranging meetings, leading the study and reporting the results. While doing its study the team will dedicate its effort solely to the study and not be distracted from this mission. Upon completion of its study, documentation will be presented to the VEO in the form of a VE workbook, which is normally supplied by the VEO who will make the necessary coordination for approval. The VEO need not participate in the study but is available for guidance.

b. Independent Value Engineering Studies may be performed by one or more persons who identifies a high cost or problem area and applies the VE job plan to arrive at a successful solution. These independent studies must first be coordinated with the VEO.

c. OVEST (Office of the Chief of Engineers Value Engineering Study Team), is available to perform VE studies. The team will conduct studies upon request but coordination must be made to ensure there is no conflict in their schedule since the team supports the entire COE.

d. Contracting with Architect-Engineer firms experienced in VE is another means of achieving VE studies. If at all possible, VE studies should be accomplished with In-House forces or OVEST. However, the workload within POD may necessitate the use of AE firms.

9. CONTRACTOR INITIATED VALUE ENGINEERING CHANGE PROPOSALS (VECPs). Contractors are a source of significant cost reductions. They must be encouraged to participate in the VE program. The Federal Acquisition Regulation (FAR), Part 52.248-1 is a part of every construction contract and provides a mechanism to the contractor whereby he can share in any cost savings to his contract. The clause encourages contractors to develop change proposals where everyone benefits, the Government through a reduction in its contract cost, and the contractor who shares in the savings.

a. Contractors normally submit their proposals to the Area/Resident/Project offices. Their VECPs must be reviewed promptly and forwarded to the VEO along with the field's recommendations. The VECPs must also be forwarded to the using agency for its review and approval. The VEO will then review and determine where the VECP is to be sent for technical review and evaluation.

b. All VECPs will receive expeditious action. The contractor will be notified in writing whether or not the VECP has been accepted. If a VECP is not accepted the letter of rejection to the contractor will include detailed reasons therefor. When a VECP is not accepted or rejected within 30 days after it is received, the submitter will be notified in writing of the status and expected decision date.

10. MONETARY GOALS. During the first quarter of each fiscal year, monetary and study goals are submitted to HQUSACE. Districts are required to submit their goals to Division for incorporation into the Division goal, which is then forwarded to HQUSACE.

11. VE COSTS.

a. Prior to the award of the contract, VE costs are chargeable to the P&D funds from the specific project being studied. MCA project funds are requested from HQUSACE and can be provided within a few days of the request if the request is transmitted electronically. Study funds for other than MCA projects are chargeable to P&D funds from those specific projects and are requested from the project manager involved. The VEO must provide an estimate of cost for the study and must request and be provided funds prior to beginning the study. Study funds are

provided to OVEST through a Military Interdepartmental Purchase Request (MIPR) initiated by the requesting organization.

b. VE studies after award of the contract are chargeable to construction funds. Technical reviews of VECPs are chargeable to the specific project's EDC or ODC funds.

c. The VEO will be responsible for monitoring the status of the VE accounts. Monthly status reports of costs will be reviewed by the VEO who must be able to extract the computer-generated information.

12. PROGRESS REPORTING PROCEDURES.

a. The Division VEO will prepare reports to HQUSACE as contained in Policy Letter, VE Quarterly Report, 8 May 1991 (Reference e).

b. The District VEO will forward information on completed VE and VECP actions to the Division VEO for incorporation or preparation of the periodic reports.

13. TRAINING.

a. VEOs must have attended the 40-hour VE training course and should seek additional training as it becomes available. All engineers, architects, engineering technicians, quality assurance personnel, and other selected employees not previously trained in value engineering will receive training in VE. Training to augment initial training will be provided as necessary and when available. Serving as a member of a formal VE study using the services of OVEST will be considered as additional training.

b. Contractor VE participation will be promoted. These can be accomplished through various means. Training seminars can be held upon request. These seminars can be of any length just so long as the contractors can understand their role in providing VECPs.

FOR THE COMMANDER:

/s/
JAMES K. LIGH
Director, Information Management

DISTRIBUTION: (POD List 98-1)
B